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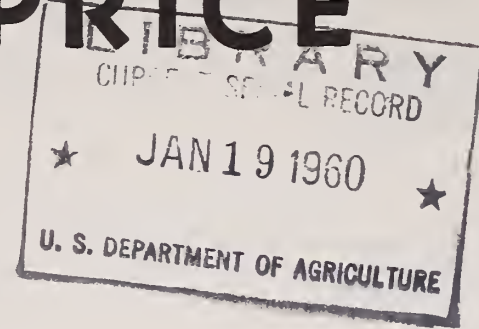
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December 1959
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DEMAND and PRICE SITUATION

DPS-60



Approved by the Outlook and Situation Board, December 17, 1959

SUMMARY

Results of recent surveys lend support to earlier estimates of high economic activity in 1960. Further increases in business spending for plant and equipment are indicated and a Department of Commerce forecast places automobile production in 1960 at 6.7 million units, a fifth more than in 1959 and second only to 1955.

Capital expenditures by business this year are expected to total \$32.6 billion, 7 percent above 1958, according to the recent survey conducted between late October and early December by the Securities and Exchange Commission and the Department of Commerce. The increase is less than had been expected earlier because of slowdowns during the last half of 1959 as a result of steel shortages. The preliminary McGraw-Hill survey indicates a gain in capital spending in 1960 of about a tenth over 1959.

Construction activity in 1960 is expected to rise 2.4 percent above 1959 to a total of \$55.3 billion, according to a Department of Commerce estimate. This would mean little change in volume, however, since prices may rise about as much as the increase in outlays. The most important gains will be for industrial and commercial construction, private schools, churches and hospitals, with declines expected for new residential construction.

(Continued on page 3)

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AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1958		1959			
		Year	Nov.	Aug.	Sept.	Oct.	Nov.
Industrial production: Seasonally adj. <u>1/</u>							
Total	1947-49=100	134	141	149	149	147	148
All manufactures	do.	136	143	153	152	150	150
Durable goods	do.	141	151	159	158	156	156
Nondurable goods	do.	130	135	146	147	144	144
Minerals	do.	117	123	117	116	117	123
Construction:							
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	48,980	4,356	4,566	4,424	4,263	
Public construction	Mil. dol.	15,033	1,408	1,306	1,231	1,180	
Private residential	Mil. dol.	17,884	1,653	1,875	1,852	1,780	
Housing starts	Thousands	1,209	1,427	1,340	1,325	1,180	
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	26,246	27,467	29,268	29,818	29,350	
Durable goods	Mil. dol.	12,402	13,295	14,008	14,113	13,949	
Unfilled orders-sales ratio <u>5/</u>		3.57	3.30	3.37	3.39	3.44	
Inventory-sales ratio <u>6/</u>		1.93	1.79	1.78	1.74	1.75	
Durable goods		2.32	2.10	2.15	2.11	2.09	
Employment and wages: <u>7/</u>							
Total civilian employment	Millions	64.0	64.7	67.2	66.3	66.8	65.6
Nonagricultural	do.	58.1	59.0	60.9	60.1	60.7	60.0
Unemployment	do.	4.7	3.8	3.4	3.2	3.3	3.7
Workweek in manufacturing	Hours	39.2	39.9	40.5	40.3	40.3	39.9
Hourly earnings in manufacturing	Dollars	2.13	2.17	2.19	2.22	2.21	2.23
Income and spending:							
Personal income payments <u>2/ 3/</u>	Bil. dol.	359.0	367.5	380.0	380.9	382.3	384.8
Consumer credit outstanding <u>1/</u>	Mil. dol.	45,065	43,464	48,841	49,350	49,872	
Automobile	Mil. dol.	14,131	14,066	16,082	16,259	16,659	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	16,682	16,961	18,109	17,783	18,341	18,087
Durable goods	Mil. dol.	5,284	5,521	6,095	5,774	6,360	5,840
Inventory-sales ratio <u>6/</u>		1.44	1.39	1.37	1.39	1.35	
Prices:							
Wholesale prices, all commodities <u>4/</u>	1947-49=100	119	119	119	120	119	119
Commodities other than farm and food	do.	126	127	128	128	128	128
Farm products	do.	95	92	87	89	86	85
Foods processed	do.	111	110	106	108	106	105
Consumer price index, all items <u>4/</u>	1947-49=100	124	124	125	125	126	
Food	do.	120	119	118	119	118	
Prices received by farmers <u>8/</u>	1910-14=100	250	247	239	239	235	230
Crops	do.	223	218	221	220	219	216
Livestock and products	do.	273	273	254	256	248	243
Prices paid, interest, taxes and wage rates <u>8/</u>	1910-14=100	293	294	297	297	296	297
Family living items	do.	287	288	288	288	290	291
Production items	do.	264	263	266	265	264	264
Parity ratio <u>8/</u>		85	84	80	80	79	77
Farm income and marketings: <u>8/</u>							
Volume of farm marketings	1947-49=100	125	160	120	147	171	172
Cash receipts from farm marketings	Mil. dol.	33,560	3,530	2,573	3,240	3,598	3,600

Annual data for most of these items for the years 1929 and 1939-58 appear on page 35 of the April 1959 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census.
8/ U. S. Department of Agriculture, Agricultural Marketing Service.

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 T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, December 17, 1959

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It is estimated that new nonfarm housing starts will total about 1.2 million in 1960 compared with more than 1.3 million this year.

Business activity increased a little in November. The steel mills were back in operation most of the month but shortages of finished steel caused further shutdowns in metal using industries. Automobile production in November was about half as much as October. The overall index of industrial production at 148 (1947-49=100) in November compared with 147 in October. Nonagricultural employment rose a little and unemployment dropped from 6.0 percent of the civilian labor force in October to 5.6 percent in November. Consumer income increased at a rate of \$2-1/2 billion in November to a new high of \$384.8 billion, nearly 5 percent above a year ago. Retail sales in November were down from October due to a substantial decline in sales of durable goods, mostly automobiles.

Cash receipts from farm marketings in the first 11 months of 1959 totaled \$29.5 billion. This was 3 percent less than the same period in 1958, reflecting lower prices. The volume of marketings was slightly higher. Crop receipts were about the same but livestock receipts were 5 percent lower.

The index of prices received by farmers in mid-November was 230 (1910-14=100), down 2 percent from October and 7 percent below a year earlier. The index of prices paid, including interest, taxes and farm wage rates increased slightly, and the parity ratio dropped to 77 compared with 84 last year. Between October and November the decline in prices received by farmers was largely concentrated in meat animals. Cattle marketings increased substantially in the last 2 months and prices were down 6 percent between October and November. Hog prices for the month are the lowest since 1955, but are expected to hold within fairly narrow limits this winter. Commercial vegetable prices declined more than seasonally but fruit was down about the normal amount for this time of year. The index of cotton prices reflected the seasonal drop in grade and staple length between October and November. Only partly offsetting were increases in food and feed grains, dairy products, poultry, potatoes and oil-bearing crops.

Commodity Highlights

Commercial red meat production was 4 percent above a year ago in October and totaled over 2.4 billion pounds for the first time in over 2 years; meat output declined in November but held above a year ago.

Consumption of most fluid milk products is running above 1958. With a slight reduction in milk output, prices for dairy products have turned slightly higher.

Chick placements and egg settings suggest that broiler production into the first quarter of 1960 will continue below year earlier levels. Broiler prices in early December were above a year earlier for the first time in 1959.

Strong domestic and export demands along with some delay in marketings have strengthened soybean prices so far this marketing year.

Growers through the end of October placed 263 million bushels of 1959 crop wheat under the price support program, but substantial quantities of loan wheat will need to be redeemed or purchase agreement wheat sold to cover requirements for domestic use and free-market exports for the rest of this marketing year.

Supplies of citrus fruits this winter are expected to be larger than last winter for oranges and lemons but slightly smaller for grapefruit. The 1959-60 crop of early, mid-season and navel oranges is up 3 percent and late season oranges 2 percent from 1958-59.

Supplies of fresh market winter vegetables are likely to be slightly to moderately larger than last winter and somewhat above the 1949-58 average. Production of fall and winter crop potatoes is down considerably from a year ago, and prices to growers and at retail are likely to remain substantially above the low levels of last season.

Domestic mill consumption of cotton in 1959-60 is expected to be larger than 1958-59, reflecting the increased high level of economic activity and the replenishment of stocks in marketing channels.

Cigarette output will set a new record in 1959 and cigar output will be the largest since the early 1920's. Other tobacco products have shown small declines compared with last year.

GENERAL BUSINESS CONDITIONS

Business activity in November and early December was dominated by continued steel shortages. Although the mills were back in operation during most of November, industrial production, employment and consumer incomes didn't change much from October. Finished steel output did not reach volume levels until early December, but production of some types of finished steel is still short, slowing the return to volume production for some steel using firms. Overall, the level of industrial production in December should be up sharply from November.

Table 1.--Weekly steel, motor vehicle production and freight car loadings, November 7 to December 5, 1959

Item	Unit	Nov. 7	Nov. 14	Nov. 21	Nov. 28	Dec. 5
Steel	Thou. of short tons	368	1,291	2,233	2,540	2,650
Percent of capacity	Percent	13.0	45.6	78.9	89.7	93.6
Motor vehicles (cars, trucks, coaches)	Number	76,248	76,096	80,427	56,181	67,065
Freight car loadings: total	Thou. of cars	561	638	629	574	650

Steel Strike Interrupted Economic Recovery

The longest steel strike on record which ended on November 7 temporarily interrupted the economic upswing which started in mid-1958. Between mid-July and the end of September the steel strike had little effect on the production of metal using firms. By the beginning of October, however, shortages of steel had become increasingly acute and shutdowns of firms using steel rose sharply.

In November industrial production held close to October levels. The Federal Reserve Board's index at 148 (1947-49=100) compares with 147 in October. Within the durable goods industries, production of primary metals rose sharply from 63 in October to 105 in November as steel mills increased output of basic steel, but at the same time there were extensive shutdowns in automobiles and metal fabricating plants due to a continued shortage of finished steel. Domestic auto production in November was about half as much as October. Scheduled production for December, while up substantially from November, was still below October. Production of nondurable goods at 144 held close to the level of other recent months and was little affected by steel shortages except in the rubber industry where shutdowns in automobile plants has reduced demand for tires and other products.

Employment Up a Little
In November

The labor markets in November reflected the increasing shortages of finished steel with mounting layoffs by auto firms and other steel using industries, but the striking steel workers were back on the job most of the month. Employees on payrolls in nonagricultural industries increased a little to 52.1 million, after seasonal adjustment, compared with 52 million in October and 52.6 million in June. Employment in manufacturing in November was practically unchanged with increases in primary metals about offsetting cutbacks in steel using industries. No significant changes were recorded in nonmanufacturing industries.

Unemployment normally rises between October and November as a result of seasonal declines in construction, agriculture and a number of manufacturing industries. The increase between October and November of 400 thousand to a total of 3.7 million is less than the usual rise for this time of year. The unemployment rate after allowance for seasonal changes dropped to 5.6 percent in November compared with 6 percent in October, partly because the rate did not increase as much as usual for women and teenagers.

Average weekly hours of factory workers declined four-tenths between October and November, mostly reflecting reductions in durable goods industries affected by the steel strike. Hourly earnings increased 2 cents over the month to \$2.23, leaving weekly earnings at \$89, about the same as in October.

Manufacturers' Sales
And Stocks Lower

Manufacturers' sales, seasonally adjusted, declined 6 percent from June to October. Most of the poor showing was associated with the effects of the steel strike. Inventories at the end of October totaled \$51.4 billion, down \$800 million from July, with durable goods firms off \$1.1 billion and non-durable goods firms up \$300 million. Stock-sales ratios of manufacturers declined rapidly in late 1958. With inventories declining at a slower rate than sales since late summer, stock-sales ratios in manufacturing have increased from 1.67 in June to 1.75 in October but they are still below last year. All the change in stock-sales ratios in recent months has occurred in

durable goods firms. Among the nondurable goods industries stock-sales ratios at 1.44 in October were about the same as last summer and well below October 1958. Stock-sales ratios at retail in October were the same as June.

Capital Spending Slows In Late 1959

Steel shortages reduced the volume of new plant and equipment spending in the third and fourth quarters of 1959. According to the report of the Securities and Exchange Commission and Department of Commerce survey released on December 10, spending in 1959 will total \$32.6 billion, down \$600 million from the estimate made 3 months ago. In the final quarter of 1959, spending is scheduled at an annual rate of \$34.0 billion compared with the earlier September estimate of \$35.3 billion. A moderate pickup in outlays is expected for the first quarter of 1960 to a rate of \$34.4 billion, 12 percent above a year ago. The recovery in capital spending since late 1958 has not been quite as fast as in the other comparable recovery periods of 1950 and 1955, but equipment outlays have risen much faster than for construction. Producers' durable equipment in the third quarter of 1959 was 22 percent above a year earlier while "other construction" was up 5 percent.

Table 2.--Expenditures for new plant and equipment by United States business for 1958-59 and by quarters for 1959-60, seasonally adjusted at annual rates

Item	1958	1959 1/	1959				1960
			Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec. 1/	Jan.- Mar. 1/
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Manufacturing	11.43	12.06	11.20	11.80	12.25	12.82	13.84
Durable goods industries	5.47	5.77	5.26	5.74	5.83	6.13	6.97
Nondurable goods industries	5.96	6.29	5.94	6.06	6.42	6.69	6.87
Mining	.94	.99	.95	.94	1.01	1.05	.95
Railroad	.75	.93	.63	1.00	1.28	.87	.84
Transportation other than rail	1.50	2.04	1.71	2.08	2.17	2.22	2.15
Public utilities	6.09	5.74	5.80	5.82	5.58	5.81	5.59
Commercial and other	9.81	10.87	10.33	10.87	11.06	11.18	11.03
Total	30.53	32.64	30.62	32.51	33.35	33.95	34.40

1/ Estimates are based upon anticipated expenditures reported by business in late October and November 1959.

Securities and Exchange Commission and U. S. Department of Commerce.

Capital appropriations of large manufacturing firms surveyed by the National Industrial Conference Board for Newsweek magazine, in the third quarter of 1959 were 53 percent above a year ago. The rise in appropriations, which lead actual spending, indicate that outlays will continue to climb at least into the second half of 1960, although at a less rapid pace than in the comparable period in 1955.

Capital Outlays
To Be Up In 1960

According to the McGraw-Hill survey, capital spending for 1960 will be about 10 percent above 1959. Manufacturing outlays, which were held down by steel shortages in 1959, are expected to be up almost a fifth in 1960. The planned increases among nonmanufacturing industries are smaller than in manufacturing. The largest gains are in transportation with mining showing a drop.

Construction Activity
Eases

New construction outlays climbed from an annual rate of \$46.5 billion in May 1958 to \$56.6 billion a year later. Private construction outlays were up the most, with practically all the increase in new housing. Public construction was up almost \$3 billion with the largest increases in highways and military construction.

Since the spring peak, construction activity has trended down and in October the seasonally adjusted annual rate of almost \$50.8 billion compared with the peak of \$56.6 billion reached last May. Rising interest rates have deterred new home construction which in October was at an annual rate of \$21.6 billion compared with \$23.8 billion in May. New nonfarm housing starts dropped from a peak annual rate of 1,434,000 in April to 1,180,000 in October. One factor in the decline in recent months has been the drop in public outlays, in part associated with a lower level of activity in the Federally aided highway program, but declines were also registered in most other types of public construction.

Construction Up Some
In 1960

New construction expenditures next year, according to estimates of the Department of Commerce, are expected to reach a new record of \$55.3 billion, up about 2 percent over the level of \$54 billion expected this year. Private and public construction will both increase about the same relative amount next year. A further rise in construction costs will just about offset the increase in total dollar outlays to leave the physical volume in 1960 about the same as in 1959.

Next year the major source of strength in private construction will be for nonresidential buildings. Industrial construction is expected to reach a new peak, up almost a quarter from 1959. Commercial construction will likely

Table 3.--New construction outlays 1958, 1959, and outlook for 1960

Type of construction	Value			Percent change	
	1958	1959 <u>1/</u>	1960 <u>2/</u>	1958-59	1959-60
	Million dollars	Million dollars	Million dollars	Percent	Percent
Total new construction	48,903	54,000	55,300	10	2
Private construction					
Residential buildings (nonfarm)	33,491	37,800	38,800	13	3
Nonresidential buildings	18,047	22,150	21,500	23	- 3
(nonfarm)					
Industrial	8,675	8,600	10,200	- 1	19
Commercial	2,382	1,950	2,450	-18	26
Other nonresidential buildings	3,589	3,850	4,450	7	16
Farm construction	2,704	2,800	3,300	4	18
Public utilities	1,475	1,750	1,550	19	-11
Other private	5,105	5,100	5,350	<u>3/</u> 6	5
	189	200	200		0
Public construction					
Residential buildings	15,412	16,200	16,500	5	2
Nonresidential buildings	846	1,000	900	18	-10
Educational	4,653	4,500	4,725	- 3	5
Administrative and service	2,875	2,675	2,750	- 7	3
Military facilities	532	590	700	11	19
Highways	1,402	1,490	1,375	6	- 8
Sewer and water systems	5,500	5,800	5,700	5	- 2
Public service enterprises	1,387	1,465	1,625	6	11
Conservation and development	451	560	700	24	25
Other public	1,019	1,150	1,225	13	7
	154	235	250	53	6

1/ November and December estimated.2/ Estimated.3/ Change of less than one-half of 1 percent.
Department of Commerce.

reach a new record with even greater gains than this year. The continuing growth of suburbs and the related need for shopping centers is a major factor in the expected expansion. Private nonfarm housing starts will probably total 1.2 million units, down 125,000 from 1959. An increased proportion of multiple dwelling units and a trend towards larger and better quality homes and higher costs will tend to keep dollar outlays from falling relatively as much as housing starts.

The value of public construction next year is estimated at \$16.5 billion, a little higher than in 1959. Highway construction is expected to be a little lower than the \$5.8 billion all-time peak in 1959. The pay-as-you-go requirement of the current Federal aid highway legislation and increased spending for right of way are factors limiting the level of highway outlays this next year. Some decline in public housing expenditures is expected, particularly under the military housing program. Only a small change in public school expenditures is expected next year. Tight money and legal debt limits will tend to restrict somewhat the volume of new State and local Government construction programs undertaken for next year.

Auto Production Prospects Bright in 1960

The Commerce Department forecasts that U. S. production of passenger cars in 1960 will reach 6.7 million units, up 22 percent from the nearly $5\frac{1}{2}$ million expected in 1959. The 1960 production would be the largest since 1955. If steel is available, output in the first half of 1960 is expected to be the highest for the period in history. The Commerce Department cites rising disposable personal income, increased replacement demand and scrappage, high public enthusiasm for the new cars and further expansion of suburban areas as the principal factors underlying the strength in new passenger car production and sales.

Consumer Incomes Steady in November

Consumer incomes dropped slightly as a result of the work stoppage in the steel industry. After the initial decline in August, incomes have increased a little, and reached a new high annual rate of \$384.8 billion in November. This was nearly 5 percent higher than November last year. Between October and November personal income increased at an annual rate of \$2 $\frac{1}{2}$ billion with sizeable gains in wage and salary and transfer payments.

Personal consumption expenditures increased \$2 billion between the second and third quarters of 1959, due to a rise in expenditures on services. In October and November retail sales have recovered some from the levels in the third quarter. Durable goods sales in October were stimulated by a favorable reaction to the 1960 model automobiles, but steel shortages reduced supplies

in November and cutback sales to \$5.8 billion, down 8 percent from October, but 6 percent above a year ago. Sales of nondurable goods stores which dipped slightly between August and October picked up in November to \$12.2 billion, surpassing the previous peak in July.

Table 4.--Retail sales of selected groups, November 1958 and August, September, October and November 1959, seasonally adjusted

Group	1958	1959				
	Nov.	Aug.	Sept.	Oct.	Nov.	
	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	
Durable	5.5	6.1	5.8	6.6	5.8	
Automotive	2.9	3.4	3.1	3.7	n.a.	
Furniture and appliance	.9	1.0	.9	.9	n.a.	
Nondurable	11.4	12.0	12.0	12.0	12.2	
Food	4.2	4.3	4.3	4.3	n.a.	
Gasoline service stations	1.3	1.4	1.4	1.4	n.a.	
Drug and proprietary stores	.6	.6	.6	.6	n.a.	

n.a. Not available.

Department of Commerce.

Consumer Prices At New Highs

Rising prices of nonfood items in recent months have pushed both rural and urban prices to new highs. The index of prices paid for family living items in mid-November reached a new high of 291, (1910-14=100), up 1 percent from a year earlier, with higher prices for 1960 model cars, clothing and building materials. After remaining relatively stable from October 1958 to last March, urban consumer prices have inched higher since last spring and the index in October at 125.5 (1947-49=100), was at a new high and 1.5 percent above a year ago. Except for a small decline in food prices between September and October all other groups increased. Among the nonfood items, durable commodities rose 0.7 percent, nondurables 0.4 percent and services 0.3 percent.

Installment Credit
Continues to Rise

Consumers continued to expand their installment debt during the fall. Since May installment debt has increased about a half a billion dollars a month. At the end of October installment debt outstanding totaled \$38.4 billion, up \$5.2 billion from a year earlier. The increase nearly equaled the gain of \$5.4 billion from calendar year 1954 to 1955. Most of the rise in installment debt in 1959 was due to a sharp increase in automobile and other consumer durable goods paper, but in recent months personal loans have increased sharply.

Prices to Farmers
At 20 Month Low

The index of prices received by farmers for all farm products declined 2 percent to 230 (1910-14=100) during the month ended November 15. This drop brought the index to 7 percent below a year ago and to the lowest level since March 1957. Sharp declines in prices of cattle and hogs, cotton, and oranges were chiefly responsible for the drop in the past month. Advances were recorded for milk, potatoes, wheat, soybeans, and turkeys. A substantial increase in cattle marketings was accompanied by a reduction in beef cattle prices of \$1.30 per hundredweight to an average of \$20.00. With hog slaughter also up sharply, hog prices declined 40 cents from mid-October to mid-November to an average of \$12.20, the lowest for the month since 1955. Prices for oranges (equivalent on-tree) averaged \$1.81 per box compared with \$2.40 in mid-October and \$3.39 in November of last year.

The index of prices paid by farmers for commodities and services, including interest, taxes and farm wage rates (the parity index) moved up one point to 297 (1910-14=100) from October 15 to November 15. A small rise in the average cost of items used in family living was responsible for the increase. The index of prices paid for production items remained unchanged at the mid-October level. With the index of prices received down 2 percent and the parity index up slightly, the parity ratio declined 3 percent to 77, the lowest in 19 years.

GOVERNMENT FINANCING OF AGRICULTURAL EXPORTS

During the fiscal year which ended June 30, 1959, farm commodities sold for foreign currencies or exported under grants, donations or barter were valued at \$1,259 million or about one-third of total agricultural exports of \$3,719 million. About \$800 million of exports estimated to have been sold for dollars represented sales from CCC stocks at below domestic market prices, sales from both CCC and commercial stocks which were subject to payments-in-kind or cash, and government credit sales. This included nearly all grains, all cotton, some dairy products and some minor items. The remaining \$1,650 moved for dollars without direct government participation. Thus, over 50 percent

of our farm exports were marketed with some type of government assistance. This percentage is not much different from the previous year but is below the record export year 1956-57 when sales for foreign currency and barter exports were much larger (table 5). Additional assistance to exports was provided in financing of certain ocean freight costs under foreign currency sales and donation programs.

Table 5.—Estimated agricultural exports under various Government programs, fiscal years 1957-59

Type of program	1956-57	1957-58	1958-59
	Mil. dol.	Mil. dol.	Mil. dol.
Sales for foreign currency <u>1/</u>	1,279	881	939
Grants and donations <u>2/</u>	250	265	187
Barter	401	100	132
Total non-dollar sales <u>3/</u>	1,930	1,246	1,259
Sales under short-term credit <u>4/</u>	73	205	92
CCC sales at less than domestic market prices or under payment-in-kind or cash programs <u>5/</u>	986	969	718
Total estimated assisted dollar sales	1,043	1,174	810
Total estimated unassisted dollar sales	1,745	1,787	1,650
Total exports	4,724	4,002	3,719

1/ Under P. L. 480 and the Mutual Security Act. The latter includes small amounts of grant aid: about \$10 million in 1956-57, \$4.9 million in 1957-58 and \$.4 million in 1958-59.

2/ Title II P. L. 480 and Section 416 of the Agricultural Act of 1949 as amended.

3/ Because of differences in reporting periods, exports under specified programs are not directly comparable with recorded exports.

4/ Export-Import Bank loans and CCC credit sales.

5/ Includes exports outside of specified programs of cotton, grains and wheat flour, butter, cheese, nonfat dry milk, flaxseed, linseed oil, peanuts (shelled), peanut oil, tung oil and some dry edible beans. Excludes exports of grains to Canada and rice to Cuba.

Based on data published by the Foreign Agricultural Service and Commodity Credit Corporation.

Government assistance to agricultural exports continues to be available during the current fiscal year. Public Law 480, extended for 2 years, authorizes programing of commodities under sales for foreign currencies at an annual rate not to exceed \$1.5 billion at CCC cost based on current operations this would cover commodities with a market value of about \$1 billion per year. Under the extension of P. L. 480 relief, donation and barter activities will continue. However, barter operations have been limited by provisions requiring reasonable assurance that the bartered commodity will add to U. S. exports made on a cash basis and by restricting the destination of exports under barter contracts with countries having convertible currencies. Surplus commodities valued at not less than \$175 million are required to be financed for export from this year's Mutual Security Act appropriations.

CCC's authority to dispose of its inventories without price restriction continues to be applicable to all export programs, including sales for foreign currency and barter. The payment-in-kind program currently involves all grains and cotton (except for grains to Canada and rice to Cuba). Rates of payment vary with seasonal factors. During 1958-59 payments-in-kind were equal to around 25 percent of season averages farm price for cotton, wheat and rice, and 11 to 20 percent for feed grains. Currently the percentage for wheat and cotton is higher and for feed grains substantially lower.

During recent years, an increasing portion of the net foreign economic aid extended by the United States has consisted of donations of farm commodities, or of grants and loans of foreign currency derived from the sale of agricultural commodities. During 1958-59, net nonmilitary grants and credits by the United States totaled \$2.2 billion of which about \$1 billion or close to 45 percent was attributable to agricultural export programs, about the same proportion as in the previous year.

FARM INCOME

Cash receipts from farm marketings in the first 11 months of 1959 totaled approximately \$29.5 billion about 3 percent less than in the corresponding months of 1958. A 4-percent decline in average prices received by farmers accounted for the loss, with the volume of marketings totaling about the same. Receipts from livestock and products of \$16.8 billion were down 5 percent because of sharply lower prices for hogs, chickens (including broilers), and eggs. Crop receipts were \$12.6 billion, about the same as in 1958. Lower receipts from wheat, sorghum grain, and soybeans offset larger receipts from cotton, oranges, and corn.

November 1959 cash receipts are tentatively estimated at \$3.6 billion, up about 1 percent from November 1958. Receipts from livestock and products at \$1.6 billion were down 6 percent, but crop receipts, at \$2.0 billion, were about 8 percent higher, principally because of larger cotton marketings.

LIVESTOCK AND MEAT

Livestock prices this fall have dropped below those of last fall as slaughter has pushed above year-earlier levels. The largest differences have been in hogs and sheep and lambs. Commercial red meat production in October was 4 percent larger than October 1958 and totaled over 2.4 billion pounds for the first time in more than 2 years. Meat output declined in November but still held above a year ago.

Cattle slaughter this fall has featured continued large receipts of fed cattle. During the past 2 months the number of slaughter steers and heifers at 12 leading markets was about 5 percent higher than a year earlier. October receipts at these markets were down 8 percent but up 21 percent in November over last year. Total cattle slaughter during these months was about 3 percent larger than in 1958. Prices of stockers and feeders and the lower grades of slaughter cattle showed greater declines than fed cattle and in early December were correspondingly further below prices a year ago. Early in December the average price of Choice steers at Chicago was down \$1.00 to \$1.50 per 100 pounds from last year. Cows were about \$3.50 per 100 pounds below last December.

Hog slaughter will continue significantly above a year ago during the first half of 1960 due to the larger 1959 fall pig crop. Prices, currently at the lowest levels since early 1956 are expected to fluctuate within relatively narrow limits this winter. The price of barrows and gilts at 8 markets the week of December 12 averaged \$11.98 per 100 pounds; in December 1955 they reached a low of \$10.60.

This year's lamb crop was up 2 percent. Sheep and lamb slaughter during July-November totaled about 11 percent larger than in these months in 1958. Hence, it appears likely that sheep and lamb slaughter this winter will drop below the relatively large slaughter rate of last winter. In early December slaughter lamb prices were \$2.50-\$3.00 per 100 pounds below a year earlier. In contrast to the declining prices a year ago, prices this winter will probably show some recovery from present levels and by late winter may be above a year earlier.

DAIRY PRODUCTS

Prices for several dairy products increased more this fall than in several years. This reflects some continued growth in total demand, a slight decline in annual milk production in the past two calendar years, and normal seasonal declines in milk output. Milk production has now begun to rise seasonally and will increase to the annual flush output next spring.

Milk production the first 11 months of this year was 0.9 billion pounds, or 0.8 percent, below the same period of 1958. Nearly three-fourths of the decrease occurred in the 4 months, May-August. After about equalling the 1958 level in October, output was below a year earlier in November again reflecting mainly unseasonably severe weather in important dairy areas. The number of milk cows probably has not declined as much this year as last, but the rate of production of milk per cow was depressed in midsummer by drought and short pastures in part of the main northern dairy belt.

An important factor bringing about a bigger decrease in milk cow numbers in 1958 and 1959 than in other recent years was the high price of beef cattle, compared with prices of dairy products. Recently, this relationship has begun to change. Dairy prices to farmers in November averaged 3 percent above a year earlier, while the prices for all beef cattle were down 10 percent. From July to November 1959, the wholesale price of canners and cutters dropped 24 percent, the largest decline for these months since 1952, when they went down 26 percent. The price this November was 26 percent below November 1958. Optimism of dairymen in the near-term future was indicated by the fact that the average price of milk cows was about equal to that of November 1958, though down 10 percent from July 1959. Usually, with constant milk-feed price relationships, milk cow prices move more closely with prices of canner and cutter stock.

Total consumption of most fluid milk products has been running above that of 1958, reflecting the expansion in consumer incomes. Since output has been lower, less milk has been left for manufacturing. Output of butter, American cheese and evaporated milk, which together took 73 percent of total milk used in manufacturing in 1958, declined in 1959 from 1958.

No butter has been purchased by CCC since August, and purchases of nonfat dry milk are below a year earlier. Cheese purchases to date this marketing year have been above the comparatively small volume of a year earlier. The milk equivalent of the butter and cheese purchased so far this marketing year (April 1 - November 30), is about 2.0 billion pounds, compared with 2.3 billion in the comparable period in the last marketing year.

Smaller storage stocks this year contributed to the recent price increases of butter and cream. Stocks of the latter, which are used chiefly in making ice cream, are now at lowest level since the early 1940's. The earlier rise for butter prices than for cheese above supports this fall induced an increase in butter output over last year, and output of American cheese declined.

POULTRY AND EGGS

Smaller supplies of broilers and eggs are in prospect for the first half of 1960, than the same period a year ago. More turkeys may be slaughtered, but production early in the year will be seasonally small.

Monthly egg production dropped below a year earlier in October for the first time in 1959, and November output was 4 percent lower than a year earlier. On December 1, there were 4 percent fewer layers on farms than a year ago, while the total number of hens and pullets (of laying age and younger) was down 6 percent.

Smaller egg output in November than in the same month last year was explained both by a 3 percent decrease in the number of layers and a 1 percent decrease in the rate of lay. Egg production is likely to continue below a year earlier through the Spring. Layer numbers will be down and a greater proportion of hens in the laying flock could hold the rate of lay below the record levels of a year earlier.

Although egg prices in most leading markets have shown little change since mid-November, they are still substantially below a year ago and not likely to attain year-earlier levels until the second quarter of 1960. Prices to farmers on November 15 averaged 31.3 cents per dozen compared to 38.9 cents a year ago.

Chick placements and egg settings suggest that broiler production into the first quarter of 1960 will continue below the year earlier level. Prices in early December responded to this lower level of production, and a more than seasonal pickup in output could materialize later. However, there is the possibility that a reduced supply of broiler hatching eggs may act as a brake on production. From May through October, 1959, domestic sales of leading primary breeders of replacement pullets declined 1/4 from a year earlier.

Broiler prices received by farmers in mid-November averaged 15.0 cents per pound, compared with 15.8 on the same date in 1958. Through November mid-month prices in 1959 have been below a year ago. But by the second week in December prices had advanced about 4 cents above mid-November in the major Southern producing areas and even more in the important DelMarVa area. This brought broiler prices considerably above 1958.

Turkey producers received 24.9 cents per pound on November 15, nearly 2 cents more for their liveweight birds than a year earlier. By the second week in December, prices in leading markets had advanced about 3 to 6 cents, from November 15 putting them substantially above year earlier levels. These favorable prices may stimulate a larger turkey production in 1960 than the record 82 million birds raised in 1959.

OILSEEDS, FATS AND OILS

Soybean prices to farmers were stronger than usual during harvest this year, averaging \$1.96 per bushel during October-November, about 11 cents above the support price and 5 cents above a year earlier. The price strength has mainly reflected delayed harvesting and marketings due to wet weather, the large quantities stored by farmers, and strong export and crusher demand. Of the 62 million bushels of beans carried over on October 1, 1959, CCC owned 42 million bushels and another 13 million bushels were resealed in farm storage, leaving "free" supplies of soybeans relatively tight. As a result, CCC soybean sales have been brisk so far this marketing year amounting to 28 million bushels through early December. This left only about 14 million bushels in the Corporation's inventory. Through March 1960 CCC beans are being offered for sale at a national minimum sales price of \$2.05 per bushel.

Prices received by farmers for soybeans probably will continue to average above the support price during the remainder of the 1959-60 marketing year as demand for beans continues strong. The 1959 season average soybean price is estimated at \$2.02 per bushel compared with \$2.00 last year.

The 1959-60 supply of soybeans is placed at 600 million bushels, about the same as last year's record. Crushings may total 400 million bushels or more and exports likely will set a new record of at least 125 million bushels. If seed and feed requirements are about the same as in recent years, carryover stocks of soybeans on October 1, 1960 may be in the neighborhood of 45 million bushels, down about a fourth from this year's peak.

Domestic demand for soybean oil in 1959-60 is expected to continue strong but will face increased competition from larger supplies of cottonseed oil and lard. Domestic use of bean oil in 1959-60 probably will not vary greatly from the record level of 3.3 billion pounds last year. Therefore, a bean crush of 400 million bushels would produce over a billion pounds of oil in excess of domestic requirements. This would become available for export or for addition to carryover stocks. Soybean oil prices during the current marketing year will average somewhat lower than a year earlier.

Cottonseed production in 1959 is placed at 6,100,000 tons, 27 percent more than a year ago. The 1959 season average price is estimated at \$38.90 per ton compared with \$43.80 last year. Cottonseed oil output is expected to total around 1,900 million pounds, about 400 million pounds above last year. Most of the increase will be absorbed by strong foreign demand but domestic use will also be higher. Cotton oil prices in 1959-60 will average a little below last year, because of the general downward movement in edible oil and lard prices. But cotton oil will continue to command a price premium over soybean oil.

Current indications are that U. S. exports of edible oils in 1959-60 will continue heavy. Exports under P. L. 480 will decline but sales for dollars will increase. Cotton oil exports during 1959-60 are expected to rise while soybean oil shipments are expected to drop. However, low prices for soybean oil, limited supplies from other exporting countries and the possibility of foreign buying to build up stocks may result in larger exports of U. S. soybean oil than appears likely at this time.

Lard output in 1959-60 is forecast at 2,900 million pounds, about 7 percent more than last year. Lard prices in early December 1959 were about 25 percent below a year ago. Prospects are that lard prices for the entire 1959-60 marketing year will average somewhat lower than in 1958-59. More lard is expected to be used domestically in the manufacture of shortening because it is cheaper in relation to the edible vegetable oils. Lard exports during 1959-60 are forecast at 750 million pounds compared with 605 million last year. Lard has again been made eligible for shipment under P. L. 480, but so far none has been programmed.

FEED

Prices of feed grains and high-protein feeds this fall have averaged about the same as a year earlier, reflecting generally good demand for the big supplies available. The price of No. 3 yellow corn at Chicago has been comparatively stable since early November, averaging about \$1.10 per bushel, a little lower than in the same period last year. Harvesting of the 1959 crop has been delayed by wet weather in areas of the Corn Belt, which has tended to level out the seasonal low in fall prices. The seasonal rise in corn prices may continue to be delayed by late marketings and it probably will be less than the 23 percent rise from November to June in 1958-59. Sorghum grain prices in mid-November were down 12 cents from a year earlier to \$1.51 per 100 pounds, reflecting another big crop and the lower support rate. Oat prices on the other hand have been well above the 1958 level as a result of smaller supplies this year, and barley prices have averaged close to those of a year ago.

The index of wholesale prices of high-protein feeds averaged slightly higher in November this year than last. Higher prices of oilseed meals more than offset declines in prices of animal and grain protein feeds.

The total supply of all feed concentrates for 1959-60, based on the December crop report, is estimated at 263 million tons, 7 percent over last year and an increase of 35 percent from the 1953-57 average. The 1959 feed grain crop of 166 million tons is 8 million tons larger than last year. Domestic use and exports of feed grains are expected to be heavy again in 1959-60 probably exceeding the 1958-59 record. Total utilization, however, will again fall somewhat below the record output and a further increase in carryover into 1960-61 is in prospect. Wet weather has made it difficult to harvest the record corn crop of nearly 4.4 billion bushels and the loss of grain has been greater than normal. Feeding is expected to be heavy. The 1959-60 supply of 5,891 million bushels is up 618 million bushels from the record supply last year.

The corn carryover on October 1, 1960 may be nearly a third larger than the 1.5 billion bushels carried over in 1959. The sorghum grain supply is 17 percent larger than last year, while the barley supply is down 4 percent and the oats supply is 16 percent smaller.

Farmers have been placing much smaller quantities of oats, barley and sorghum grain under price support from their 1959 crops than in 1958. Through October, the quantity of barley placed under price support was less than half that of a year earlier, the sorghum grains less than a third and oats was only a fraction of the record quantity last year. While it is too early for much corn to go under support, the total for 1959-60 is expected to be much larger than the 381 million bushels in 1958-59.

WHEAT

Cash wheat prices on December 16 were at or near the high for the season to date, with prices for dominant classes and grades at Portland and Minneapolis up around 10 cents and at Kansas City and St. Louis up 17 and 19 cents, respectively, from the season lows. Prices at terminals on December 17 were generally about unchanged from mid-November.

On December 17, the price of No. 1 Dark Northern Spring wheat, ordinary protein, at Minneapolis at \$2.19 was 5 cents above the effective support, while the price of No. 1 Soft White at Portland at \$2.00 was 2 cents above. On the other hand, prices of No. 2 Soft Winter at St. Louis at \$2.05 and No. 2 Hard Red Winter, ordinary protein, at Kansas City at \$2.03 were 1 cent and 3 cents, respectively, below the effective loan.

Growers had placed 262.6 million bushels of 1959-crop wheat under the price support program through October 1959. On the same date a year earlier, 453.8 million bushels were under support. The figure this year represents 23 percent of the crop, compared with 31 percent a year earlier. Later in the marketing year, substantial quantities of loan wheat will need to be redeemed, or purchase agreement wheat sold in the market to cover requirements for domestic use and free-market exports.

Supplies of wheat for the marketing year, which began July 1, 1959, total a record 2,415 million bushels. This is about 50 million bushels, or 3 percent, above the previous record a year earlier and about 545 million bushels, or 29 percent, above supplies 2 years earlier. Total supplies include the carryover of 1,279 million bushels, the crop estimated at 1,128 million bushels and probable imports of about 8 million bushels, mostly of feeding quality and seed wheat.

Domestic disappearance in 1959-60 is expected to total about the same as the 629 million bushels last year. Because of increased sales under P. L. 480, exports are now expected to total about 425 million bushels, an increase of 15 million from the previous estimate. This is still somewhat smaller than the 443 million bushels exported in 1958-59. These estimates of supply and disappearance indicate that the carryover July 1, 1960 will total about 1,360 million bushels. This would be 6 percent above the 1,279 million bushels on July 1, 1959 and 54 percent above the 881 million on July 1, 1958.

RICE

In the referendum held on December 15, producers approved rice quotas by a 90.7 percent vote according to preliminary reports. This is more than the required two-thirds of the producers voting, so quotas will be in effect for the 1960 crop. If about the same acreage of rice is seeded in 1960 as in 1959 and if yields are about equal to the average of the past three years, a crop of about 51.0 million hundredweight would be produced, compared with 53.2 million hundredweight in 1959. With domestic disappearance estimated at 26.6 million hundredweight, exports would have to be 24.6 million hundredweight, or more, to avoid increasing the carryover August 1, 1961. Exports of this size would be below the estimated 29.0 million hundredweight for 1959-60, the 25.1 million in 1952-53 and the record 37.5 million hundredweight exported in 1956-57, but above any other year.

The advance minimum national average price support for 1960-crop rice was announced on December 1 at \$4.36 per hundredweight, 75 percent of the December 1959 rice parity price of \$5.82 per hundredweight. Producers who remain within their acreage allotments will be eligible for price support at this level up to \$50,000 for nonrecourse loans and purchase agreements, and for recourse loans only for any production above this amount. Growers who exceed their farm acreage allotments will be subject to marketing quota penalties, and none of their production will be eligible for price support.

FRUIT

Supplies of oranges and lemons available for use this winter are expected to be larger than last winter but those of grapefruit will be a little smaller. Early-season use of the new crops has been larger this fall than last, but the increases for oranges and lemons have not been enough larger to offset prospective larger production. The 1959-60 crop of early, midseason and Navel oranges is expected to total about 3 percent above comparable 1958-59 production. Prospective production of Valencia oranges, which are marketed mostly from late winter until fall, is up 2 percent over 1958-59. The 1959-60 lemon crop is up 9 percent, but the grapefruit crop is down 2 percent.

With the Florida citrus crops maturing earlier this fall than last, both shipments to fresh markets and movement to processors have been considerably heavier than a year ago. Prices at shipping points and on the terminal auctions have averaged somewhat below the relatively high prices of a year earlier. During November auction prices for California oranges continued under the unusually high prices of a year earlier, but in December they averaged above those of December 1958.

In Florida, output of canned single-strength citrus juices by December 5 of the 1959-60 season was much larger than a year earlier, when processing lagged, awaiting desired maturity of the fruit. With carryover stocks of most items up sharply, total supplies also have been much above a year earlier. Even with increased movement from canners into distribution channels, canners' stocks have continued considerably larger than a year earlier. The packing of frozen orange concentrate from 1959-60 crop oranges started with light output in November, increased during December and should become seasonally heavy after January 1, 1960. Meanwhile, packers' stocks decreased substantially with the aid of special efforts of the citrus industry to move stocks and somewhat lower retail prices than in 1958.

Prices for most varieties and styles of pack of apples at shipping points in eastern and central States in late November and early December averaged not greatly different from those a year earlier. But in Washington State, where production is much lighter this year than in 1958, prices averaged considerably higher than last fall. Total stocks in cold storage on December 1, 1959 were moderately smaller than a year earlier. Principal varieties of pears sold in heaviest volume on the terminal auctions during late November and early December were the Bosc and D'Anjou. With sales lighter, prices averaged moderately to considerably above a year earlier. Shipping-point prices for California Emperor and Almeria varieties of grapes averaged somewhat lower than a year earlier. Total stocks of grapes in cold storage on December 1, 1959 were substantially larger than on that date in 1958.

COMMERCIAL VEGETABLES

For Fresh Market

Supplies of vegetables for fresh market this winter are likely to be a little larger than those of last winter, and somewhat above the 1949-58 average. Acreage for 13 crops which typically make up more than four-fifths of the total tonnage of winter vegetables is 7 percent above that of a year ago. Among the more important crops on which production estimates are available, output of lettuce and cauliflower for winter harvest is expected to be materially larger than last winter. But indicated production of celery is almost a tenth smaller than the large output of last winter, and spinach production is expected to be down materially. Acreage of both cabbage and carrots are almost a fifth above last winter, and barring severe weather damage, production of both crops is likely to be substantially larger.

Tender crops in Florida, which were hard hit by adverse weather last winter have again been severely damaged this season. As usual, domestic production will be supplemented by imports from Mexico and Cuba. Early reports indicate that production of winter vegetables in Mexico may be about the same as last winter, but production and imports from Cuba are expected to be below those of last season.

Processed

Supplies of canned vegetables available for distribution into mid-1960 are about as large, and those of frozen vegetables a little larger than a year ago. Among major canned items, supplies of green peas and sauerkraut are materially smaller than a year ago. Stocks of cucumber pickles are also smaller than a year ago, and supplies of tomato juice and tomato products probably somewhat below the high levels of last season. These declines probably are largely offset by substantially more sweet corn than a year ago and moderately more snap beans. Among frozen vegetables, supplies of asparagus, lima beans, cauliflower, sweet corn, and mixed peas and carrots are slightly to moderately smaller than a year ago; but holdings of green peas and snap beans are moderately larger than at this time last season and holdings of spinach much larger.

During the early part of the season distributor demand for processed vegetables was slow, and the market, particularly on canned items was generally weak. In recent weeks, however, prices of many items have firmed up or advanced, and some further moderate advances are in prospect for a number of items. Although shelf prices of canned and frozen items will remain at moderate levels, consumers probably will pay a little more on the average for these items during the remainder of this season than a year earlier.

POTATOES AND SWEETPOTATOES

Supplies of potatoes available this winter are substantially smaller than the burdensome supplies of last winter. Production of fall crop potatoes of 166 million hundredweight was 17 million hundredweight less than last fall. Also, indicated production for winter harvest is down 17 percent from a year ago. However, diversion of fall crop potatoes for non-food uses is expected to be much smaller this season than last, and available supplies appear ample to maintain food consumption at year earlier levels. Prices of potatoes both to the grower and at retail level are likely to remain substantially above the low levels of last season.

Total production of sweetpotatoes in 1959 was a little larger than in 1958. Since most of the increase was in States with adequate storage facilities, supplies available for winter and spring marketing are moderately larger than those of a year ago. Prices to growers are expected to advance seasonally this winter.

DRY BEANS AND PEAS

The overall supply of dry edible beans is close to the large total of a year ago. However, supplies of colored beans are much smaller than last year. Domestic demand has been active and export demand in the early part of the season has been unusually strong for white classes. Prices of pea beans which are in heavy supply are expected to continue below those of last season. But average prices for colored beans for the remainder of the season probably will continue above those of last season.

Supplies of dry field peas are much larger than the relatively light supplies of a year ago. However, domestic use probably will be somewhat above that of last season, when use for food was drastically curtailed because of tight supplies. Export demand in the early part of the season has been unusually strong, with exports of green kinds moderately above, and exports of white and yellow kinds combined about double those of a year earlier. Although total exports for the season may be down somewhat from the high level of last season, they probably will compare favorably with most other recent years. So far this season f.o.b. prices of smooth green kinds and wrinkled kinds have averaged below those of a year earlier, but prices of white and yellow types have averaged higher, and in recent weeks substantially higher than in the corresponding weeks of last season.

COTTON

The supply of cotton in the United States in the 1959-60 season is estimated at about 23.7 million bales, approximately 3.4 million more than in the preceding season, reflecting a sharp increase in the production of cotton. Despite this increase, the carryover on August 1, 1960 is expected to be about the same as the 8.9 million bales of August 1, 1959, because disappearance probably is increasing about as much as supply, principally because of sharply larger exports.

The increase in the 1959 crop was caused by a sharp increase in acreage. In 1959, 15.8 million acres were planted to cotton, approximately 3.4 million acres more than in 1958. The sharp increase in acreage was caused by the ending of the acreage reserve program for cotton, in which there were 5 million acres in 1958, and by initiation of the Choice B program for cotton under the price support program, which increased acreage by about 1 million acres. Counteracting some of this increase in acreage was an increase in the Conservation Reserve from cotton allotments of more than 500,000 acres. The average yield per harvested acre in the United States in 1959 is estimated at about 465 pounds. This is 1 pound less than the record high yield of 1958.

Under current legislation, 16.3 million acres have been allotted under the regular 1960 acreage allotment program for upland cotton. For 1960 this minimum acreage can be increased by participation of farmers in the Choice B program. This permits any farmer to increase his acreage by 40 percent over his regular allotment and to obtain price support through nonrecourse loans, at a rate

15 percent of parity lower than the price support available under the regular allotment, or the Choice A program.

Disappearance during 1959-60 is estimated at more than 14.5 million bales, up about 3 million bales from 1958-59. Causes of the increase in disappearance are a sharp upturn in exports and the larger domestic mill consumption. Larger domestic mill consumption is indicated by a low ratio of stocks to unfilled orders at cotton mills and high mill margins, caused by higher prices for fabric and declining prices for cotton. Contributing causes of the increase in mill consumption are the high level of economic activity in the United States, and the replenishment of stocks of textiles in the marketing channels. Prices for cotton this year are lower than last year. The reduction probably is having little effect on domestic mill consumption during the current season. If prices should continue over the next several years at the minimum levels set under existing price support programs, a gradual increase in domestic mill consumption of cotton probably would occur.

Consumption of cotton during October 1959 was up more than seasonally from the low rate of September and up about the normal seasonal amount from August. Stocks of cotton at cotton mills at the end of September were about the same as in 1949 and aside from 1949 were the smallest stocks of cotton for this date since 1935, mainly because of anticipation of lower prices earlier in the season. Therefore, the September rate probably was unusually low because of a generally small supply of cotton at mills.

Exports of cotton during the current season are expected to about double the 2.8 million bales of 1958-59. The several reasons for the sharp increase in cotton exports include: an increase in the consumption of cotton in the foreign free world; some replenishment of the level of cotton stocks in the foreign free world; lower and more stable prices for cotton in world import markets, and a more competitive export price for U. S. cotton. Also, exportable supplies of cotton in foreign free world exporting countries are smaller than last season because beginning stocks in these countries are smaller than a year earlier, consumption is increasing and production of upland types will decline moderately in 1959-60 in contrast with the overall sharp uptrend of recent years. Historically the effect of U. S. cotton prices has been dominant in world markets. Changes in U. S. prices have influenced foreign plantings, although factors other than prices have also been important in foreign acreage and production variation. The decline in prices was foreseen in some foreign cotton producing countries last season. As a result, acreage planted to cotton in some important cotton exporting countries fell off. Mill consumption of cotton abroad is increasing because of a recovery from the textile recession last season. Stocks of cotton in the foreign free world declined by about 1.2 million bales between August 1, 1958 and August 1, 1959. The 1959 stocks of 8.9 million bales are very low in relation to the level of consumption in the foreign free world and the level of current cotton prices. These stocks will probably increase during the current season.

Stocks of cotton held by the Commodity Credit Corporation (owned and held as collateral against outstanding loans) on August 1, 1959 were about 7 million bales. By the end of September 1959 these stocks had declined to about 5 million because of heavy sales by CCC of 1958 and earlier-crop cotton. By October 30 stocks had increased to about 6.0 million bales.

The 14 spot market average price for Middling 1-inch cotton in November was 31.61 cents per pound, compared with 34.75 cents for the same month in 1958. Average prices for Middling 1-inch during August, September and October also were below those of the same months a year earlier. The price decline results primarily from the lower CCC sales prices authorized in current support price legislation. Also the ending carryover in the current season is expected to be close to 9 million bales. When the carryover in the past has been this large, generally the market price has stayed close to the CCC selling price.

WOOL

The Boston wool market has been only moderately active in the last month as only a few cars of domestic wools have moved each week. Prices have held steady in this slow market in which most of the demand has been in the medium fleece wools and territory half-blood grades. During November there was some slight increase in prices in both 3/8 and 1/4-blood grades of fleece and territory wools.

The average mid-month price received by growers has been easing off from the recent high of 44.3 cents in August. In November the average price received was 40.9 cents per pound, down nearly a cent from October. The mid-November parity price was 71.9 cents.

World wool prices have held relatively steady the last several weeks. In the Australian auctions, offerings have been heavy, prices firm, and demand strong for finer types of merino wool. The South African markets have been firm as most prices are up slightly from early November. There has been very little activity in the Argentine and Uruguayan markets thus far this fall because the unseasonably wet weather has delayed delivery to the central markets and because of the delay in announcing of the monetary policies on exchange rates.

The total U. S. raw wool consumption during January-October 1959 was 364.5 million pounds, scoured basis, 34 percent more than the same period a year ago. Apparel wool mill use totaled 227.1 million pounds during this period, 26 percent above last year. Consumption of apparel wool in October 1959 was 1 percent above the September 1959 level and 22 percent above October 1958. Carpet wool consumption totaled 137.4 million pounds, 49 percent more than last year. The rate of consumption of carpet wool in October 1959 was 1 percent below September 1959 and 8 percent above October 1958.

Imports of raw wool for period January-October 1959 totaled 257.9 million pounds, scoured basis, 78 percent more than the same period a year ago. Dutiable imports were 85.5 million pounds, 66 percent more than last year.

Duty-free imports totaled 172.4 million pounds, 85 percent more than the same period a year ago.

Imports of woven fabrics wholly or in chief value of wool in 1959 are substantially above last year. Imports during January-September 1959 were 40.3 million square yards compared to 34.3 million square yards during the entire year of 1958. The U. S. Tariff Commission and the Committee for Reciprocity Information are at present both conducting hearings where consideration will be given to possible renegotiation of Tariff paragraphs 1108 and 1109(a). The tariff quota, ad valorem duties, and the peril point are the matters being given the chief considerations.

TOBACCO

Burley auction markets opened November 23 and by mid-December the volume marketed was 421 million pounds--averaging 61 cents per pound. This was about $5\frac{1}{2}$ cents or 8 percent lower than the record price average of the comparable period of last season and about 2 percent below the corresponding period two seasons ago. In general, quality has not been as good as last season. The 1959 crop is being supported at 57.2 cents per pound--1.8 cents higher than the 1958 crop. Deliveries for Government loan amounted to slightly over 2 percent of gross sales in the first 3 weeks of the season--nearly the same proportion as a year ago. This year's crop of burley is larger than last season but total supply for 1959-60 is a little smaller because carryover is lower.

The Virginia fire-cured auction market opened November 30 and through mid-December prices averaged 38 cents per pound, very little different than in the comparable period of last season. This year's crop of Virginia fire-cured is moderately larger than last year; the increase about offsets the small decline in carryover during the past year.

The markets for dark air-cured types 35-36 (One Sucker and Green River) opened December 7th and 8th. Prices for early season sales averaged nearly 35 cents per pound for type 35 and 34 cents per pound for type 36, both 2 to 3 cents lower than a year ago. The carryover of dark air-cured tobacco is down sharply from a year earlier but the 1959 crop is more than a fifth larger than last year when production was a record low.

The Virginia sun-cured tobacco, type 37, auction market began December 8. Early season prices averaged 35 cents per pound compared with $38\frac{1}{2}$ cents a year earlier. This year's increase in production just about offset the decrease in carryover of this type.

Cigar tobaccos are not marketed at auctions but bought by buyers visiting the farms. The Pennsylvania and Ohio filler crops sold at prices averaging higher than in 1958. Also most of the Connecticut Valley binder type 52 (Havana Seed) has been sold.

Marketing of the 1959 flue-cured crop is completed and the overall season average price for gross sales at auctions was near 58 cents per pound--the same as last season. About $55\frac{1}{2}$ million pounds, 5 percent of the crop, was placed under Government loan--much less than in the 1958 season.

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The 1960 national flue-cured allotment has been set at practically the same level as for the past 3 years. Farm allotments in nearly all instances will remain unchanged.

The 1960 marketing quotas and acreage allotments for other kinds of tobacco will be announced by the Secretary of Agriculture by February 1. Soon after the quota announcement growers of Maryland, Connecticut Valley binder and Ohio filler-Wisconsin binder will vote in separate referendums on whether they favor marketing quotas on their 1960, 1961, and 1962 crops. At least two-thirds of the growers voting must approve if quotas are to be in effect. Marketing quotas will be in effect for burley, fire-cured, dark air-cured and sun-cured in 1960 since growers approved them in previous referendums.

Cigarette output will set a new record this year and cigar output will be the largest since the early 1920's. Other tobacco products have shown small declines compared with last year. Exports of unmanufactured tobacco during July-October, the first third of the 1959-60 fiscal year, were 5 per cent smaller than in the same period of 1958-59. October shipments of leaf were probably reduced by the work stoppage on the docks in the early part of the month.